July 23, 2018

The Honorable Peter Welch
U.S. House of Representatives
2303 Rayburn House Office Building
Washington, D.C. 20515

Dear Congressman Welch:

Thank you for your letter concerning the Universal Service Fund. Closing the digital divide is one of my top priorities. As you know, I grew up in Parsons, Kansas and have traveled during my time at the Commission to locations as varied as Barrow, Alaska, Diller, Nebraska, and Carthage, Mississippi. I have seen with my own eyes what affordable high-speed Internet access can do for a community—for its schools, its libraries, and its hospitals, and for those American communities struggling to stay afloat.

Rural Americans deserve the same digital access as those living in urban areas. Simply put, we need more deployment in sparsely populated rural areas if we're going to extend digital opportunity to all Americans. The Commission's several recent changes to the USF programs are designed to incentivize providers to continue to operate and further deploy broadband networks in rural areas efficiently.

Like you, I was concerned by the cuts to funding for rural broadband deployment in the legacy rate-of-return program. As you may know, those cuts were a result of the *2016 Rate-of-Return Reform Order*, and I was the only Commissioner to dissent from that order even in part. The full impact of those cuts did not become clear until fully implemented in 2017. Once staff identified these impacts, I directed staff to begin developing an order that could address these cuts and garner majority support at the Commission.
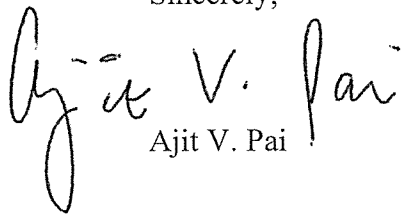
In January 2018, I circulated an order to mitigate the impact of these cuts and address other inefficiencies in the rate-of-return system. That order was a big win for rural communities that want high-speed Internet and are served by rate-of-return carriers. For legacy rate-of-return carriers in particular, the order provided $180 million in one-time funding to mitigate the effect of the budget control mechanism for the prior funding year. It also dedicated new funding to model-based carriers. The accompanying *Notice* sought comment on ways to improve and simplify the funding system so that carriers have predictable support and the right incentives to efficiently invest in broadband connectivity. My colleagues voted to approve that order in March 2018, and I am grateful to Commissioner O'Rielly for engaging in good faith and working with me on edits that improved the item.

Of course, this is not the only order that we have advanced to encourage broadband deployment in rural America and aid small carriers struggling to serve their communities. Just last month, the Commission increased the cap for the Rural Health Care Program by $171

million a year, eliminating funding cuts that would have impacted rural healthcare providers nationwide. Also in June, we eliminated the rule that targeted one and only one class of broadband providers—rural carriers that offer certain broadband Internet access transmission services—to pay universal service taxes on those offerings. In April, we corrected another problem created by the *2016 Rate-of-Return Reform Order* by amending a rule that had a disproportionate impact on broadband deployment in rural Tribal lands. In November 2017, we amended our Tribal Lifeline program to target carriers reinvesting those funds in their Tribal communities and direct Tribal Lifeline support to areas where it is needed most, which in turn will improve the availability and affordability of advanced communications services in rural Tribal areas. And in May 2017, we suspended for two years increases in the "rate floor"—a policy adopted by the prior Administration designed to increase rates in rural America despite the struggles many rural Americans face.

In short, I put the agency's highest priority on closing the digital divide, and have focused many of the FCC's initiatives toward advancing that cause. Please let me know if I can be of any further assistance.

Sincerely,

Ajit V. Pai

July 23, 2018

The Honorable Ben Ray Lujan
U.S. House of Representatives
2231 Rayburn House Office Building
Washington, D.C. 20515

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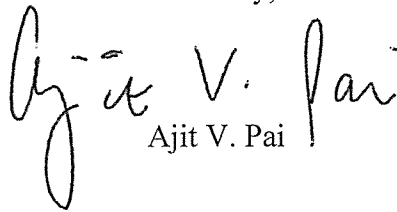
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